

**Lianhe Global downgrades E-House (China) Enterprise Holdings Limited's global scale Long-term Issuer and Issuance Credit Rating to 'BB-' from 'BB+'; Issuer Rating Outlook Negative; Removes Rating Watch Negative**

HONG KONG, 8 September 2021 – Lianhe Ratings Global Limited (“Lianhe Global”), an international credit rating company, has downgraded the global scale Long-term Issuer Credit Rating of E-House (China) Enterprise Holdings Limited (02048.HK) (“E-House” or “the company”) to ‘BB-’ from ‘BB+’. The Outlook is Negative.

Lianhe Global has also downgraded the global scale Long-term Issuance Credit Rating of the senior unsecured USD notes issued by E-House to ‘BB-’ from ‘BB+’. A full list of issuance ratings is included in this press release.

Lianhe Global has removed the Rating Watch Negative on the company’s issuer and issuance credit ratings.

**Key Rating Rationales**

The Issuer Rating downgrade to ‘BB-’ reflects E-House’s weakening credit profile and fluctuating financial metrics with the negative impact from the unexpected loss allowance on its trade related receivables. Additionally, the company encountered narrowed financing channels following the termination of the proposed equity financings, slower-than-expected revenue growth due to the compressed commission rates, and margin pressure in view of the expansion into low-margin business segments.

The Negative Outlook on E-House’s rating reflects our expectation of E-House’s increasing exposure to the counterparty risk for its account receivables, which would adversely affect its operating cash flow in the next 12-18 months. We would revise the Rating Outlook to Stable when there is a clearer sign on the resolution of the recovery of E-House’s trade receivables, and demonstrated effort to sustainably manage its leverage level and liquidity position.

**Rating Sensitivities**

We would consider downgrading E-House’s rating if (1) its operating performance were to deteriorate as measured by an EBITDA margin to decrease to below 10% consistently, or (2) its financial leverage as measured by a debt/EBITDA ratio to increase to over 5.0x consistently, or (3) its operating performance and working capital management were to deteriorate such that its revenue experiences a material decline or operating cash flow shows sign of worsening.

An upgrade is unlikely given the negative outlook for E-House. However, if E-House’s operating efficiency were to exhibit a remarkable improvement such that it could maintain a sustainable positive operating cash flow and visible loss allowance, strengthen its profitability as measured by an EBITDA margin to increase to above 20% consistently, and its financial

leverage as measured by a debt/EBITDA ratio to decrease to below 3.0x consistently, we may consider upgrading E-House's rating.

Any rating action on E-House's rating would result in a similar rating action on its USD notes.

### **Full List of Issuance Ratings**

- USD300 million 7.625% senior unsecured notes due 2022 downgraded from 'BB+' to 'BB-'
- USD300 million 7.600% senior unsecured notes due 2023 downgraded from 'BB+' to 'BB-'

### **About Lianhe Global**

Lianhe Global is an international credit rating company that provides credit ratings to corporations, banks, non-bank financial institutions, local government financing vehicles, and other asset classes around the globe. Lianhe Global also provides credit risk research and other services related to credit ratings.

### **Rating Methodology**

The principal methodology used in this E-House's rating is Lianhe Global's General Corporate Rating Criteria published on 16 July 2018 which can be found at the website [www.lhratingsglobal.com](http://www.lhratingsglobal.com).

**Note:** The above Issuer/Issuance Credit Ratings are solicited at the request of the rated entity or a related third party.

### **Contact Information**

Primary Analyst  
Alex Kung  
Senior Director  
(852) 3462 9577  
[alex.kung@lhratingsglobal.com](mailto:alex.kung@lhratingsglobal.com)

Committee Chairperson  
Ben Yau  
Director  
(852) 3462 9586  
[ben.yau@lhratingsglobal.com](mailto:ben.yau@lhratingsglobal.com)

Business Development Contact  
Joyce Chi  
Managing Director  
(852) 3462 9569  
[joyce.chi@lhratingsglobal.com](mailto:joyce.chi@lhratingsglobal.com)

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